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Form 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED June 30, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____ TO _____

OTS Docket Number 5709

Federated Bank, S.S.B.

(Exact name of registrant as specified in its charter)

Wisconsin	39-0856990
(State or other jurisdiction of incorporation or organization)	IRS EMPLOYER IDENT. NO.

2600 North Mayfair Road, Wauwatosa, Wisconsin 53226
(Address of principal executive office) (zip code)

(414) 257-2100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 1, 1992
Common Stock - $.10 Par Value	1,685,120

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FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Financial Condition

	June 30, 1992 (Unaudited)	September 30, 1991
Assets		
Cash	$ 6,094,645	$ 7,100,199
Federal funds and other short-term investments	78,704,158	25,023,007
Portfolio investment securities	30,111,538	32,772,517
Loans receivable, net	235,339,090	308,035,508
Mortgage-backed securities	47,192,872	62,030,059
Foreclosed real estate and real estate subject to foreclosure, net	1,513,162	2,174,081
Real estate held for development and resale, net	800,569	1,736,233
Premises and equipment, net	4,505,148	5,215,610
Federal Home Loan Bank stock, at cost	3,736,300	3,579,100
Accrued interest receivable	2,563,063	3,498,705
Other assets	1,003,422	1,524,860
	$411,563,967	$452,689,879
Liabilities and Stockholders' Equity		
Deposits	$325,759,551	$347,875,381
Advances from Federal Home Loan Bank	33,000,000	43,000,000
Bonds payable	4,259,708	7,664,708
Advance payments by borrowers for property taxes and insurance	11,901,987	18,237,539
Other liabilities	7,871,426	9,213,965
Total liabilities	382,792,672	425,991,593
Stockholders' Equity:		
Preferred stock, $.10 par value; 1,000,000 shares authorized; none outstanding	–	–
Common stock, $.10 par value; 10,000,000 shares authorized; issued and outstanding 1,685,120 shares – 1992; 1,655,280 shares – 1991	168,512	165,528
Additional paid in capital	11,997,864	11,647,753
Retained earnings, substantially restricted	16,604,919	14,885,005
Total stockholders' equity	28,771,295	26,698,286
Total liabilities and stockholders' equity	$411,563,967	$452,689,879

See accompanying notes to unaudited consolidated financial statements.

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Operations (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1992	1991	1992	1991
Interest income:				
Loans receivable	$6,245,705	$8,221,771	$21,123,414	$25,414,072
Mortgage-backed securities	1,106,745	1,391,180	3,667,253	4,292,725
Portfolio investment securities and other interest	1,009,104	773,753	2,909,961	2,359,522
Total interest income	8,361,554	10,386,704	27,700,628	32,066,319
Interest expense:				
Deposits	4,211,264	5,766,383	14,353,689	17,694,871
Advances from Federal Home Loan Bank	719,293	1,076,501	2,460,532	3,356,360
Other borrowings	–	54,283	–	602,913
Bonds payable	145,905	240,451	530,469	788,077
Total interest expense	5,076,462	7,137,618	17,344,690	22,442,221
Net interest income	3,285,092	3,249,086	10,355,938	9,624,098
Provision for loan losses	125,000	200,000	600,000	775,000
Net interest income after provision for loan losses	3,160,092	3,049,086	9,755,938	8,849,098
Other operating income:				
Deposit account service charges	290,135	368,021	914,810	1,187,313
Gains on sales of assets	981,819	177,684	2,079,212	381,813
Gain on sale of branch	–	–	182,833	–
Insurance commissions	153,793	194,285	487,556	510,800
Miscellaneous	108,345	119,860	321,183	326,391
Total other operating income	1,534,092	859,850	3,985,594	2,406,317
General and administrative expenses:				
Compensation, payroll taxes and fringe benefits	1,518,134	1,314,732	4,293,479	3,846,321
Office occupancy expenses	539,054	572,872	1,630,258	1,678,670
Stationery, communications and other office expenses	599,859	663,185	1,831,326	2,058,337
Marketing	66,435	82,383	256,526	468,418
Data processing	254,692	249,371	770,818	756,198
Deposit account insurance and assessments	215,408	215,882	644,758	638,223
Provision for real estate losses	–	25,000	250,000	25,000
Merger expenses	231,094	–	482,791	–
Total general and administrative expenses	3,424,676	3,123,425	10,159,956	9,471,167
Income before income tax expense and extraordinary item	1,269,508	785,511	3,581,576	1,784,248
Income tax expense	555,000	185,000	1,710,000	339,200
Income before extraordinary item	714,508	600,511	1,871,576	1,445,048
Extraordinary item	–	–	–	39,200
Net income	$714,508	$600,511	$1,871,576	$1,484,248
Earnings per common and common equivalent share – Primary:				
Income before extraordinary item	$0.40	$0.36	$1.05	$0.87
Extraordinary item	–	–	–	0.02
Net income	$0.40	$0.36	$1.05	$0.89
Assuming full dilution:				
Income before extraordinary item	$0.39	$0.36	$1.01	$0.87
Extraordinary item	–	–	–	0.02
Net income	$0.39	$0.36	$1.01	$0.89

See accompanying notes to unaudited consolidated financial statements.

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended June 30, 1992	1991
Cash flows from operating activities:		
Net income	$1,871,576	$1,484,248
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	600,000	775,000
Provision for real estate losses	250,000	25,000
Depreciation and amortization	383,993	400,985
Net gain on sales of assets	(2,079,212)	(381,813)
Gain on sale of branch office and deposits	(182,833)	–
Interest capitalized on bonds payable	–	952,437
Decrease (increase) in other assets	521,438	(127,361)
Decrease in accrued interest receivable	935,642	243,774
Decrease in other liabilities	(1,342,539)	(267,181)
Other, net	(5,542)	278,649
Net cash provided by operating activities	952,523	3,383,738
Cash flows from investing activities:		
Proceeds from sales, principal repayments, and maturities of portfolio investment securities	44,640,273	12,427,208
Purchases of portfolio investment securities	(41,979,294)	(12,912,194)
Net decrease in loans receivable	43,202,434	16,430,185
Principal repayments on mortgage–backed securities	12,641,663	4,782,643
Proceeds from sales of mortgage–backed securities	32,055,882	–
Proceeds from sales of real estate	2,784,657	1,973,045
Capital expenditures for real estate	(255,728)	(728,767)
Proceeds from sales of premises and equipment	1,062,943	–
Purchases of premises and equipment	(736,921)	(1,290,728)
Net sale (purchase) of Federal Home Loan Bank stock	(157,200)	2,000
Net cash provided by investing activities	93,258,709	20,683,392

(Continued)

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Unaudited), Continued

	Nine Months Ended June 30, 1992	1991
Cash flows from financing activities:		
Net decrease in deposits	$ (8,858,799)	$ (1,112,760)
Payments for deposits of branch sold	(13,137,718)	–
Net decrease in short–term borrowings	–	(1,100,000)
Proceeds from advances from Federal Home Loan Bank	–	15,000,000
Payments of advances from Federal Home Loan Bank	(10,000,000)	(18,000,000)
Net decrease in advance payments by borrowers for property taxes and insurance	(6,335,552)	(5,225,579)
Payment on bonds payable	(3,405,000)	(3,743,921)
Dividends paid	(151,661)	–
Exercise of options for purchase of common stock	353,095	–
Net cash used in financing activities	(41,535,635)	(14,182,260)
Net increase in cash and cash equivalents	52,675,597	9,884,870
Cash and cash equivalents at beginning of period	32,123,206	11,035,098
Cash and cash equivalents at end of period	$84,798,803	$20,919,968
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	$18,479,679	$23,294,205
Cash paid during the period for income taxes	$ 1,244,575	$ 740,070
Supplemental schedule of noncash investing and financing activities:		
The following summarizes significant noncash investing and financing activities not disclosed in the notes to the consolidated financial statements:		
Loans receivable satisfied through foreclosure or acquisition of deeds in lieu of foreclosure	$ 1,451,361	$ 2,044,649
Financing of sales of certain foreclosed real estate	$ 287,444	$ 289,364
Mortgage loans securitized as mortgage–backed securities	$28,690,553	$ –

See accompanying notes to unaudited consolidated financial statements.

FEDERATED BANK, S.S.B. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
June 30, 1992 (Unaudited)

(1) Basis of Presentation

The consolidated financial statements include the accounts of Federated Bank, S.S.B. (Federated), and its subsidiaries, Federated Insurance Services Corporation (FISC), Federated Investment Corporation (FIC) and Hopkins Bonding Corporation (HBC). All significant intercompany balances and transactions have been eliminated according to generally accepted accounting principles.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial information. In the opinion of Federated, the accompanying unaudited Consolidated Statements of Financial Condition, Operations and Cash Flows contain all adjustments necessary to present fairly the consolidated financial position of Federated and subsidiaries at June 30, 1992 and September 30, 1991, and the results of their operations for the three months ended June 30, 1992 and 1991, and the results of their operations and cash flows for the nine months ended June 30, 1992 and 1991.

(2) Advances From Federal Home Loan Bank

A summary of advances from the Federal Home Loan Bank of Chicago follows:

	June 30, 1992
Advances from Federal Home Loan Bank of Chicago:	
Adjustable rate advances due:	
November, 1992	$ 5,000,000
Fixed rate advances:	
8.60%, due November, 1992	3,000,000
8.68%, due February, 1993	5,000,000
7.75%, due August, 1993	5,000,000
7.80%, due November, 1993	5,000,000
8.88%, due February, 1994	5,000,000
8.25%, due October, 1999	5,000,000
	$33,000,000

All Federal Home Loan Bank stock is pledged as collateral for the above advances. Additionally, first mortgage loans with unpaid principal balances of approximately $56,100,000 were pledged as collateral on these advances at June 30, 1992.

(3) Earnings Per Share

Primary and fully diluted earnings per share are based on the weighted average number of shares of common stock and common stock equivalents outstanding during each period. Stock options are regarded as common stock equivalents and are therefore considered in both primary and fully diluted earnings per share calculations. In connection with the previously announced letter of intent, Federated granted Firstar Corporation (Firstar) an option to purchase newly issued shares of Federated stock equal to 9.9% of Federated common stock at $12 per share (up to 181,878 shares), upon the occurrence of certain events.

These options have been included in the fully diluted earnings per share calculation. Common stock equivalents are computed using the treasury stock method. The weighted average number of common and common equivalent shares used in the primary and fully diluted earnings per share calculations are summarized as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	1992	1991	1992	1991
Weighted average number of common and common equivalent shares:				
Primary earnings per share	1,786,658	1,655,280	1,780,828	1,655,280
Fully diluted earnings per share	1,854,726	1,655,280	1,850,585	1,655,280

4) Pending Merger

On January 22, 1992 Federated and Firstar announced that they had signed a definitive Agreement and Plan of Reorganization (the Agreement) calling for the merger of Federated with Firstar's lead bank, First Wisconsin National Bank of Milwaukee. The terms of the Agreement provide for each outstanding share of Federated Common Stock to be converted into the right to receive $19.71 (subject to certain adjustments), in either cash or shares of Firstar Common Stock or a combination of the two, provided that no less than 55% of the aggregate amount of the transaction be paid in the form of Firstar Common Stock. An exchange ratio for Firstar Common Stock will be determined immediately prior to the closing of the transaction by averaging the previous five trading days' composite closing prices of Firstar Common Stock.

On August 3, 1992, at a Special Meeting of shareholders of Federated, the shareholders approved the Agreement and related Merger Agreement. The exchange price of the Federated shares has also been adjusted from $19.71 per share to $19.74 per share (subject to such further adjustments as may be called for under the Agreement). The necessary applications for the merger have been approved by the various regulatory agencies. Completion of the merger is subject to regulatory approvals and is anticipated to occur by mid-September.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

Federated's principal sources of funds consist of amortization and prepayment of loans, savings and checking deposits, sales of participating interests in real estate loans, borrowings from the FHLB System and other sources, and, to a lesser extent, fees, service charges and the sale of student loans to the SLMA. As a member of the FHLB System, Federated is subject to regulations which require the maintenance of a daily average balance of liquid assets equal to a percentage of net withdrawable savings plus borrowings payable in one year or less. The required liquidity ratio and amount for Federated at June 30, 1992 , were 5.0% and $17,466,000, respectively. Federated's actual liquidity ratio and amount at June 30, 1992, were 31.7% and $110,746,000, respectively.

OTS regulations require that Federated meet certain tangible, core and risk-based capital requirements. Tangible capital generally consists of stockholders' equity less certain intangible assets. Core capital generally consists of stockholders' equity. The risk-based capital requirements presently address credit risk related to both recorded assets and off-balance sheet commitments and obligations. As a state-chartered savings institution, Federated is also subject to the minimum regulatory capital requirement of the State of Wisconsin.

The following table reconciles stockholders' equity under generally accepted accounting principles (GAAP) and regulatory capital and summarizes Federated's capital ratios and the capital ratios required by regulation at June 30, 1992:

		Regulatory			
	Stockholders' Equity	Tangible Capital	Core Capital	Risk-Based Capital	State of Wisconsin
GAAP capital	$28,771,000	$28,771,000	$28,771,000	$28,771,000	$28,771,000
Non-allowable capital items		—	—	—	—
Non-allowable assets:					
Investment in subsidiaries		(230,000)	(230,000)	(230,000)	—
Marketable equity securities		—	—	(15,000)	—
Land loans and real estate investments		—	—	—	—
Additional capital items:					
General loss allowances		—	—	1,985,000	2,048,000
Regulatory capital, as adjusted		$28,541,000	$28,541,000	$30,511,000	$30,819,000
Actual regulatory capital ratios		6.95%	6.95%	14.24%	7.49%
Current capital requirements:					
Total regulatory assets		$410,822,000	$410,822,000	$ N/A	$411,584,000
Risk-weighted assets		N/A	N/A	214,258,000	N/A
Required capital percent		1.50%	3.00%	7.20%	5.00%
Required capital		6,162,330	12,324,660	15,426,576	20,578,200
Excess capital		$ 22,378,670	$ 16,216,340	$15,084,424	$ 10,240,800

Federated is in compliance with the prescribed minimum levels established by the OTS regulations and Wisconsin law at June 30, 1992.

Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, most of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation, although inflation levels tend to affect interest rates. Interest rates generally move in the same direction as the cost of goods and inflation, but do not necessarily move in the same magnitude, since such costs are affected by inflation and other economic forces. In the current interest rate environment, the maturity structure and liquidity of Federated's assets and liabilities are critical to the maintenance of acceptable performance levels.

Financial Condition

Total consolidated assets decreased approximately 9% or $41 million to $412 million at June 30, 1992 from $453 million at September 30, 1991. The net decrease in total consolidated assets resulted from the seasonal payout of escrowed funds for real estate taxes, the previously reported sale of branch deposits, deposit outflows and the repayment of Federal Home Loan Bank advances.

With the significant drop in market interest rates, Federated's loan portfolio experienced sharply increasing amounts of prepayments as borrowers refinanced their mortgage loans. Total mortgage and consumer loan originations reached $116 million for the nine months ended June 30, 1992, an increase of 74% when compared to the previous year. Management continued its strategy of selling most fixed-rate mortgages originated, selling approximately $113 million of mortgage loans during the nine months ended June 30, 1992. This strategy is intended to limit the inherent interest rate risk which exists in long-term, fixed-rate loans. The loans held for sale are not considered significant at June 30, 1992.

During the first nine months of fiscal 1992, proceeds from loan and mortgage-backed security prepayments and sales were temporarily placed in short-term investments in anticipation of and preparation for the merger. This largely accounts for the significant changes in these two investment accounts.

Real estate held for development and resale decreased by $936,000 or 54% to $801,000 at June 30, 1992 due to sales which resulted in nominal losses and provisions for losses.

Premises and equipment decreased $710,000 or 14% to $4.5 million at June 30, 1992, primarily from the sale of a portion of the land previously acquired in Menomonee Falls, Wisconsin for a combination home office, operations center and branch office. Management is re-evaluating the use of the remaining land in light of the recently announced merger with Firstar.

Deposits decreased by $22 million to $326 million at June 30, 1992. The previously reported sale of $13 million of branch deposits to another financial institution and deposit outflows of $9 million were the causes for the decline. Management anticipates that deposit outflows will continue as depositors seek higher rates of return in alternative investments and as Federated continues to prepare for its merger with Firstar, whose savings products are generally priced at lower rates than Federated's.

Advance payments by borrowers for taxes and insurance declined $6 million as a result of the seasonal payment in December of escrowed property taxes.

Results of Operations

Net income amounted to $715,000 and $1,872,000 for the three and nine months ended June 30, 1992, respectively, compared to $601,000 and $1,484,000 for the same periods in fiscal 1991, respectively. The increase in net income for fiscal 1992 was significantly impacted by the increase in net interest income and gain on sales of loans. Net income as a percentage of average assets amounted to 0.68% and 0.57% for the three and nine months ended June 30, 1992, respectively, compared to 0.53% and 0.43% for the same periods in fiscal 1991, respectively.

Net interest income totalled $3.3 million for the quarter ended June 30, 1992, an increase of $36,000 or 1%, from the same quarter in 1991. The net interest spread increased to 2.99% for the quarter ended June 30, 1992 as compared to 2.69% for the same period in 1991. The significant drop in market interest rates impacted Federated's yield on assets and cost of funds. The yield on assets dropped 122 basis points while the cost of funds dropped 152 basis points for the quarter ended June 30, 1992 versus the corresponding quarter of 1991. The net interest margin was 3.24% for the quarter ended June 30, 1992, since interest earning assets exceeded interest bearing liabilities by 6%.

Net interest income totalled $10.4 million for the nine months ended June 30, 1992, an increase of $732,000 or 8%, from the same period in 1991. The net interest spread increased to 3.02% for the nine months ended June 30, 1992 as compared to 2.55% for the same period in 1991. The significant drop in market interest rates impacted Federated's yield on assets and cost of funds. The yield on assets dropped 79 basis points while the cost of funds dropped 126 basis points for the nine months ended June 30, 1992 versus the corresponding period of 1991. The net interest margin was 3.28% for the nine months ended June 30, 1992 versus 2.84% for the same period in 1991.

Total other operating income amounted to $1.5 million and $4.0 million for the three and nine months ended June 30, 1992, respectively, and increased 78% and 66% over the same periods in 1991, respectively. Fiscal 1992 has benefitted most significantly from the gains on sales of fixed-rate mortgage loans, and the non-recurring gain of $183,000 from the sale of $13 million of deposits and a branch facility, recorded in the first quarter of fiscal 1992. Deposit account service charges have declined throughout fiscal 1992 as a result of deposit outflows and due to depositors maintaining more account relationships to avoid service charges.

Management regularly reviews the loan and real estate portfolios for credit quality and establishes valuation allowances for potential losses. In addition, management provides for estimated losses in the loan and real estate portfolios in excess of those currently identifiable. Pursuant to management's intent to maintain adequate allowances for estimated losses, Federated recorded provisions totalling $850,000 for loan and real estate losses during the first nine months of fiscal 1992. Management believes that the allowances for losses on loans and real estate are adequate. While management uses available information to recognize losses on loans and real estate, future additions to the allowances may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Federated's allowances for losses. Such agencies may require Federated to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

General and administrative expenses totalled $3.4 million and $10.2 million for the three and nine months ended June 30, 1992, respectively, and included $231,000 and $733,000 for the real estate loss provision plus merger related costs incurred during the respective periods in fiscal 1992. Exclusive of these amounts, the general and administrative expenses would have totalled $3.2 million and $9.4 million for the three and nine months ended June 30, 1992, respectively, nearly unchanged as compared to the same periods in 1991. Personnel costs increased during fiscal 1992 primarily due to accruals for profit based incentive compensation as a result of fiscal 1992's increased net income versus the same period of fiscal 1991. Marketing costs decreased during fiscal 1992 due to promotions run in 1991 that were not repeated. Occupancy and administrative costs were also lower during fiscal 1992 than in the comparable periods of the preceding year.

The effective tax rate for the nine months ended June 30, 1992 increased to approximately 48%. During fiscal 1992 Federated was limited to the amount of the Bad Debt Deduction allowable for the income tax provision presented in the Consolidated Statements of Operations. This was due to the reduction in eligible loans from fiscal 1991. Additionally, the income tax expense recorded in fiscal 1991 was impacted by an adjustment to the tax basis Bad Debt Reserve due to the merger with Hopkins Savings and Loan . The adjustment resulted in a reduction of income tax expense, for the three and nine months ended June 30, 1991 totalling $44,250 and $132,750, respectively.

Nonperforming Assets

Nonperforming assets of Federated have resulted primarily from declining commercial real estate values and the impact of the recent recession creating financial difficulties for borrowers. Such assets at June 30, 1992, totalled $4,562,000 compared to $6,539,000 at September 30, 1991, a decline of 30%. Loans past due 60 days or more were $638,000 and $933,000 at June 30, 1992, and September 30, 1991, respectively. Only one significant item is included in these totals. That commercial real estate loan, to a borrower that filed under Chapter 11 of the United States Bankruptcy Code, has been restructured in accordance with the reorganization plan of the borrower that was approved by the Bankruptcy Court. Management does not believe it will incur a material loss on this credit in excess of amounts previously reserved. The loan, which totals approximately $2,000,000 remains in nonaccrual status until such time as a stable payment history is again established.

Management is unaware of any significant loans, not included below, where there may be serious doubts as to the ability of the borrower(s) to comply with present loan terms.

Nonperforming Assets

	June 30, 1992	September 30, 1991
Nonaccrual loans:		
One-to-four family real estate loans	$ 944,000	$1,571,000
Commercial real estate loans	2,021,000	2,694,000
Consumer loans	84,000	100,000
Total nonaccrual loans	3,049,000	4,365,000
Loans past due 90 days or more and still accruing interest	—	—
Restructured loans	—	—
Total nonperforming loans	3,049,000	4,365,000
Foreclosed real estate and real estate subject to foreclosure, net (1)	1,513,000	2,174,000
Total nonperforming assets	$4,562,000	$6,539,000
Nonperforming loans as a % of loans	1.30%	1.42%
Nonperforming assets as a % of assets	1.11%	1.44%
Total loan loss allowance	$2,481,000	$2,521,000
Total loan loss allowance as a % of nonperforming loans	81.4%	57.8%
Total loan loss allowance as a % of total loans	1.00%	0.79%
Delinquent mortgage loans (2)	$ 638,000	$ 933,000
Delinquent mortgage loans as a % of mortgage loans	0.30%	0.33%

(1) Net of loss allowance totalling $206,600 at June 30, 1992 and $765,000 at September 30, 1991.
(2) Nonaccruing loans 60 days or more delinquent.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 2. Changes in Securities

None.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Reported in Registrant's Form 10-Q for the quarter ended December 31, 1991, and subsequent to June 30, 1992, a Special Meeting of Stockholders of Federated Bank, S.S.B. ("Special Meeting") was held on August 3, 1992.

(b) At the Special Meeting, the shareholders approved a motion to approve and adopt the Agreement and Plan of Reorganization and Merger Agreement.

FOR	1,273,009
AGAINST	3,318
NOT VOTING	408,793

At the Special Meeting, the shareholders approved a motion to amend Article 10 of the Articles of Incorporation of Federated to allow Firstar to make the offer to acquire more than 10% of the common stock of Federated.

FOR	1,272,883
AGAINST	4,093
NOT VOTING	408,144

At the Special Meeting, the shareholders approved a motion to amend Article 13 of the Articles of Incorporation of Federated to allow Firstar to exercise all of its rights under the Investment Agreement dated as of September 25, 1991.

FOR	1,272,229
AGAINST	3,197
NOT VOTING	409,694

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

The following exhibit, filed herewith or incorporated by reference herein, is incorporated by reference to this Form 10-Q and made a part hereof.

23. Press release regarding Special Meeting dated August 3, 1992.

(b) Report on Form 8-K

Reported in Registrant's Form 10-Q for the quarter ended December 31, 1991, and the following report on Form 8-K has been filed by the registrant during the quarter ended June 30, 1992.

1. Form 8-K dated as of January 22, 1992 and filed with the Office of Thrift Supervision on May 21, 1992.

Item Reported:

Item 5: Other events. In furtherance of the Agreement and Plan of Reorganization of January 22, 1992, between Registrant and Firstar, the Annual Report on Form 10-K for the year ended December 31, 1991 and Form 10-Q for the quarter ended March 31, 1992 of Firstar were filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federated Bank, S.S.B.
Registrant

Date: August 10, 1992

Robert B. Pieters

Robert B. Pieters
President and Chief Executive Officer

Date: August 10, 1992

Brian B. Blank

Brian B. Blank
Vice President and Chief Financial Officer/Treasurer